

MYERS INDUSTRIES INC
Form 10-Q
November 06, 2018

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-8524

Myers Industries, Inc.

(Exact name of registrant as specified in its charter)

Ohio	34-0778636
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1293 South Main Street	
Akron, Ohio	44301
(Address of principal executive offices)	(Zip code)

(330) 253-5592

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-Accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 31, 2018
Common Stock, without par value	35,352,452 shares

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Part I — Financial Information

Item 1. Financial Statements

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 135,219	\$ 135,113	\$ 428,347	\$ 406,937
Cost of sales	93,128	95,970	291,150	287,741
Gross profit	42,091	39,143	137,197	119,196
Selling, general and administrative expenses	34,381	35,107	104,360	101,779
(Gain) loss on disposal of fixed assets	218	(2,765)	(96)	(4,012)
Impairment charges	—	—	308	544
Other expenses	33,331	—	33,331	—
Operating income (loss)	(25,839)	6,801	(706)	20,885
Interest expense, net	883	1,838	3,835	5,828
Income (loss) from continuing operations before income taxes	(26,722)	4,963	(4,541)	15,057
Income tax expense (benefit)	(5,585)	1,880	233	6,034
Income (loss) from continuing operations	(21,137)	3,083	(4,774)	9,023
Income (loss) from discontinued operations, net of income tax	(2)	174	(913)	(659)
Net income (loss)	\$(21,139)	\$3,257	\$(5,687)	\$8,364
Income (loss) per common share from continuing operations:				
Basic	\$(0.60)	\$0.10	\$(0.15)	\$0.30
Diluted	\$(0.60)	\$0.10	\$(0.15)	\$0.30
Income (loss) per common share from discontinued operations:				
Basic	\$—	\$0.01	\$(0.02)	\$(0.02)
Diluted	\$—	\$0.01	\$(0.02)	\$(0.02)
Net income (loss) per common share:				
Basic	\$(0.60)	\$0.11	\$(0.17)	\$0.28
Diluted	\$(0.60)	\$0.11	\$(0.17)	\$0.28
Dividends declared per share	\$0.14	\$0.14	\$0.41	\$0.41

See notes to unaudited condensed consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$(21,139)	\$3,257	\$(5,687)	\$8,364
Other comprehensive income (loss)				
Adoption of ASU 2018-02	—	—	(315)	—
Foreign currency translation adjustment	649	2,380	(1,194)	3,491
Pension liability, net of tax expense of \$67 in 2018	—	—	201	—
Total other comprehensive income (loss)	649	2,380	(1,308)	3,491
Comprehensive income (loss)	\$(20,490)	\$5,637	\$(6,995)	\$11,855

See notes to unaudited condensed consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Position (Unaudited)

(Dollars in thousands)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash	\$ 46,505	\$ 2,520
Restricted cash	—	8,659
Accounts receivable, less allowances of \$2,375 and \$1,777, respectively	69,250	76,509
Income tax receivable	7,043	12,954
Inventories, net	44,310	47,166
Prepaid expenses and other current assets	3,050	2,204
Total Current Assets	170,158	150,012
Other Assets		
Property, plant, and equipment, net	73,011	83,904
Goodwill	59,666	59,971
Intangible assets, net	32,518	39,049
Deferred income taxes	4,858	120
Notes receivable	—	18,737
Other	1,242	4,149
Total Assets	\$ 341,453	\$ 355,942
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 51,375	\$ 63,581
Accrued expenses		
Employee compensation	15,763	15,544
Taxes, other than income taxes	1,270	1,664
Accrued interest	1,015	2,392
Other current liabilities	16,814	15,472
Total Current Liabilities	86,237	98,653
Long-term debt	76,693	151,036
Other liabilities	19,264	8,236
Deferred income taxes	202	4,265
Shareholders' Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	—	—
Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,351,248 and 30,495,737; net of treasury shares of 7,201,209 and 7,456,720, respectively)	21,523	18,547

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Additional paid-in capital	292,097	209,253
Accumulated other comprehensive loss	(15,849)	(14,541)
Retained deficit	(138,714)	(119,507)
Total Shareholders' Equity	159,057	93,752
Total Liabilities and Shareholders' Equity	\$ 341,453	\$ 355,942

See notes to unaudited condensed consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(Dollars in thousands, except per share data)

			Accumulated		
	Common	Additional	Other	Comprehensive Retained	Total
	Shares	Paid-In	Income	Deficit	Shareholders'
		Capital	(Loss)		Equity
Balance at January 1, 2018	\$ 18,547	\$ 209,253	\$ (14,541)	\$(119,507)	\$ 93,752
Net loss	—	—	—	(5,687)	(5,687)
Adoption of ASU 2018-02	—	—	(315)	315	—
Foreign currency translation adjustment	—	—	(1,194)	—	(1,194)
Shares issued under incentive plans, net of shares withheld for tax	170	2,209	—	—	2,379
Stock compensation expense	—	3,919	—	—	3,919
Pension liability, net of tax of \$67	—	—	201	—	201
Shares issued in public offering, net of equity issuance costs	2,806	76,716	—	—	79,522
Declared dividends - \$0.41 per share	—	—	—	(13,835)	(13,835)
Balance at September 30, 2018	\$ 21,523	\$ 292,097	\$ (15,849)	\$(138,714)	\$ 159,057

See notes to unaudited condensed consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	For the Nine Months Ended September 30,	
	2018	2017
Cash Flows From Operating Activities		
Net income (loss)	\$(5,687)	\$8,364
Income (loss) from discontinued operations, net of income taxes	(913)	(659)
Income (loss) from continuing operations	(4,774)	9,023
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used for) operating activities		
Depreciation	13,329	15,226
Amortization	6,455	6,722
Accelerated depreciation associated with restructuring activities	16	2,018
Non-cash stock-based compensation expense	3,532	2,873
(Gain) loss on disposal of fixed assets	(96)	(4,012)
Provision for loss on note receivable	23,008	—
Impairment charges	308	544
Deferred taxes	(7,666)	101
Interest income received (accrued) on note receivable	(361)	(999)
Other	211	39
Payments on performance based compensation	(1,249)	(1,010)
Other long-term liabilities	10,010	(102)
Cash flows provided by (used for) working capital		
Accounts receivable	7,890	(5,820)
Inventories	2,708	(1,608)
Prepaid expenses and other current assets	(853)	1,639
Accounts payable and accrued expenses	(11,347)	15,650
Net cash provided by (used for) operating activities - continuing operations	41,121	40,284
Net cash provided by (used for) operating activities - discontinued operations	858	(4,158)
Net cash provided by (used for) operating activities	41,979	36,126
Cash Flows From Investing Activities		
Capital expenditures	(3,560)	(5,109)
Proceeds from sale of property, plant and equipment	2,633	7,925
Net cash provided by (used for) investing activities - continuing operations	(927)	2,816
Net cash provided by (used for) investing activities - discontinued operations	—	131
Net cash provided by (used for) investing activities	(927)	2,947
Cash Flows From Financing Activities		
Net borrowings (repayments) on credit facility	(74,557)	(31,397)
Cash dividends paid	(13,039)	(12,230)
Proceeds from issuance of common stock	2,825	2,524

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Proceeds from public offering of common stock, net of equity issuance costs	79,522	—
Shares withheld for employee taxes on equity awards	(446)	(273)
Deferred financing costs	—	(1,030)
Net cash provided by (used for) financing activities - continuing operations		